



*City of Arts & Innovation*

# News Release

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## **City Council approves plan to keep redevelopment and pay the state 'ransom'**

**RIVERSIDE, Calif.** – On Tuesday, July 26, the council adopted an ordinance under protest to retain the City's Redevelopment Agency and make "ransom payments" to the state.

The City's estimated "ransom payment" for fiscal year 2011/12 is \$19.6 million and subsequent annual payments beginning in 2012/13 are estimated to start at \$4.6 million, adjusting annually with tax increment and increases related to new debt.

In order to make the initial payment of \$19.6 million, the City will enact a one-year suspension of contributions to the low- and moderate-income housing fund, realign accounts, reprogram funding sources and defer projects. Paying the subsequent annual payments will mean discontinuing funds for graffiti abatement and code enforcement as well as reduced low-income housing assistance.

Riverside is one of several local governments making this so-called "voluntary" payment to prevent their redevelopment agencies from being dissolved under budget legislation signed by Gov. Jerry Brown in June as a way to help close the state's \$9.6 billion budget gap. The state's budget includes two bills, AB 26 and AB 27, which eliminate redevelopment agencies and require them to give up tax money from new projects in order to remain in operation. Cities that want to continue with their redevelopment agencies are forced to adopt continuation ordinances by October 1 and then notify local and state finance officials. The city will have to make payments to the state on January 15 and May 15.

Cities create redevelopment agencies to capture a greater share of property taxes -- called tax increments -- within areas they designate as "blighted," then use the money to spur economic activity in those zones. This system creates a multiplier effect, boosting tax revenue by raising property values.

"I am dismayed that the state is forcing cities to pay a high ransom to continue redevelopment agencies or lose this invaluable tool. I can confidently state that redevelopment benefits every resident of Riverside," stated Mayor Ron Loveridge. "Redevelopment is critical to our ability to compete for jobs and revenues, and to improve the lives of residents."

Local governments have vowed to fight the changes, and on July 18, the California Redevelopment Association and League of California Cities filed a lawsuit with the California Supreme Court, arguing that the bills violate the state constitution and Proposition 22, a ballot measure passed last year to safeguard local funds.

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